

## Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 CIAE-00 DODE-00 PM-04 H-01  
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 OMB-01 SAJ-01 TRSE-00 AID-05 FEA-01 INT-05  
FPC-01 OES-06 EB-07 /102 W  
-----240202Z 107451 /73

R 231107Z DEC 76  
FM AMEMBASSY NEW DELHI  
TO SECSTATE WASHDC 226  
INFO AMEMBASSY ISLAMABAD  
AMEMBASSY MOSCOW  
AMEMBASSY TEHRAN  
USLO PEKING  
AMCONSUL HONG KONG  
AMCONSUL BOMBAY  
AMCONSUL CALCUTTA  
AMCONSUL MADRAS

C O N F I D E N T I A L NEW DELHI 18493

E.O. 11652: GDS  
TAGS: PFOR, IN, UR  
SUBJECT: INDO-SOVIET RELATIONS

REF: A. NEW DELHI 18383 B. NEW DELHI 18078

1. REF A REPORTS SOVIET EFFORTS TO KEEP THEIR RELATIONS WITH INDIA FROM DIPPING TOO FAR BY TRADE OFFERS, INCLUDING CRUDE OIL, WHICH COULD BE OF SIGNIFICANT ASSISTANCE TO THE INDIANS DEPENDING ON HOW PRICES ARE WORKED OUT. MEA'S JOINT SECRETARY (EE AND SOVIET AFFAIRS) PURUSHOTTAM TOLD POL COUNSELOR THIS WEEK THAT RUPEE-RUBLE NEGOTIATIONS WOULD PROBABLY BE RESUMED IN JANUARY IN DELHI AND THAT THE SOVIETS HAD TOLD THE INDIANS THEY EXPECTED THIS WOULD BE THE LAST ROUND. IN GENERAL, PURUSHOTTAM SAID, THE GOI WOULD LIKE TO RAISE INDO-SOVIET TRADE FROM THE PLATEAU AT WHICH IT HAS BEEN STUCK FOR LACK OF NEW PRODUCTS  
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IN WHICH TRADE CAN BE CONDUCTED.

PRESSURE WAS BUILDING UP FOR SOME SOLUTION, OF THE RUPEE/RUBLE RATE ISSUE BOTH FOR THIS REASON, AND ALSO BECAUSE PLANS WERE BEING FINALIZED FOR THE NEW EXPANSION OF PRODUCTION AT THE BOKHARO STEEL PLANT UTILIZING OUTSTANDING SOVIET CREDITS. PURUSHOTTAM

EXPLAINED, SOMEWHAT DEFENSIVELY, THAT THE TECHNOLOGY INVOLVED IN PRODUCING THE STEEL PLATE AND STRIPS INVOLVED IN THE BOKHARO EXPANSION WAS NOT NECESSARILY THE MOST SOPHISTICATED IN THE WORLD, BUT SO LONG AS THE CREDIT WAS OUTSTANDING, IT WAS ECONOMIC FOR THE INDIANS TO TAKE ADVANTAGE OF SOVIET ASSISTANCE IN THIS AREA.

2. PURUSHOTTAM EMPHASIZED THAT INDO-SOVIET PROBLEMS WERE ESSENTIALLY ECONOMIC, NOT POLITICAL. HE SOMEWHAT DEFENSIVELY NOTED A SOVIET PRESS COMMENTARY THE PREVIOUS WEEK WHICH REFLECTED SOME CONCERN ABOUT THE INTERNAL SCENE IN INDIA. THERE WAS NO REASON FOR THE SOVIETS TO BE CONCERNED ABOUT INDO-SOVIET POLITICAL RELATIONS, WHICH WERE BASED ON LONG-TERM STRATEGIC INDIAN CONCERN ABOUT ITS BORDERS WITH CHINA. NOR NEED INTERNAL CONGRESS PARTY COMMUNIST PARTY OF INDIA (CPI) RELATIONS HAVE ANY AFFECT ON STATE TO STATE RELATIONS. HE CITED THE YOUTH CONGRESS DECLARATION IN GAUHATI IN NOVEMBER WHICH HAD RE-EMPHASIZED THE IMPORTANCE OF INDIAN FRIENDSHIP WITH THE SOCIALIST COUNTRIES. NEVERTHELESS, HE ACKNOWLEDGED, IT MIGHT WELL BE THAT THE SOVIETS HAD SOME LONGER-TERM CONCERN ABOUT THE ANTI-COMMUNIST VIEWS OF THE "RECENT PHENOMENON IN INDIAN POLITICS" (ONE OF THE MANY BLAND EUPHEMISM WHICH INDIAN BUREAUCRATS INEVITABLY USE IN REFERRING TO SANJAY GANDHI) AND IT COULD NOT BE EXCLUDED THAT THERE WOULD IN THE FUTURE BE SOME GROUNDS FOR REAL CONCERN.

3. ON THE SOVIET SIDE, ONE OF THE SOVIET EMBASSY'S POLITICAL OFFICERS IN A CONVERSATION WITH AN EMBASSY THIS WEEK BLANDLY DESCRIBED SANJAY AS "IMMATURE" AND WITHOUT CLEAR VIEWS ON POLICY. HE DOUBTED THAT SANJAY HAD ANY REAL BASE OF SUPPORT BEYOND THAT HE DERIVED FROM HIS MOTHER, AND WONDERED WHETHER HE WOULD

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HAVE "STAYING POWER". THE SOVIET OFFER TO PROVIDE CRUDE PETROLEUM TO INDIA PRESUMABLY COMES AS A SURPRISE TO AT LEAST MANY IN THE SOVIET EMBASSY, SINCE ONLY A WEEK AGO THE SOVIET POL COUNSELOR TOLD US THE SOVIETS WOULD PREFER TO SELL POL PRODUCTS TO THE U.S. THAN TO INDIA'

4. MOST INDIANS SEEM CONVINCED THAT THE SOVIETS WILL LET THE CPI GO DOWN THE DRAIN RATHER THAN ATTEMPT TO SUPPORT IT AGAINST THE CONGRESS AND THE GOI. THEY PLAUSIBLY CITE PAST EXAMPLES ELSEWHERE IN THE WORLD, AND PURUSHOTTAM ALSO TROTTED OUT THIS ARGUMENT FOR POL COUNSELOR. WE HAVE DIFFERENT READINGS FROM INDIAN POLITICIANS ON THE OBJECTIVES OF SANJAY AND MRS. GANDHI TOWARD THE CPI. ONE SENIOR MP TELLS US SANJAY TOLD HIM RECENTLY HE ONLY WANTS TO IMMOBILIZE THE CPI AND ELIMINATE THEIR INFLUENCE WITHIN CONGRESS; BUT ANOTHER MP SAID THAT SANJAY TOLD HIM HE IS PREPARED TO CRUSH THE CPI COMPLETELY, EVEN IF THIS INVOLVES DRIVING IT UNDERGROUND AND ARRESTING ITS LEADERS. WE ASSUME THE SOVIETS WOULD LIKE TO AVOID THE LATTER COURSE OF

THIS IF AT ALL POSSIBLE. WE NOTE THAT TWO CPSU SECRETARIES PASSED THROUGH INDIA THIS LAST WEEK ON THE WAY HOME FROM VIETNAM: M.A. SUSLOV, WHO ONLY TRANSITTED THROUGH CALCUTTA, SPENDING LESS THAN HOUR AT THE AIRPORT; AND K.F. KATYUSHEV, WHO WE ARE TOLD SPENT A NUMBER OF HOURS IN DELHI WHERE HE MET WITH SOVIET EMBASSY OFFICIALS. WE WOULD ASSUME THAT AT LEAST KATYUSHEV REVIEWED THE SOVIET POSITION ON THE CPI WITH CONCERNED EMBASSY OFFICIALS. NO PUBLICITY WAS GIVEN TO THE TRANSIT OF EITHER.  
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